



## Voting Intentions – Reliance Worldwide Corp 2021 AGM

ASX Code	RWC
Meeting Time/Date	10.00 am AEST, Thursday, 28 October 2021
Type of Meeting	Virtual via Lumi
Monitor	Peter Aird assisted by Steve van Emmerik
Pre AGM Meeting?	Yes, with Chair Stuart Crosby and Phil King (Investor Relations Director)

### Proposed Voting Summary

2a	Election of Darlene Knight as Director	For
2b	Re-election of Sharon McCrohan as Director	For
3	Adoption of Remuneration Report	Against
4	Award of LTI grant to Heath Sharp, CEO/Managing Director	Against
5	Renewal of Proportional takeover approval provisions	For

### Key Financials

	2021	2020	2019	2018	2017
Statutory NPAT (\$m)	188.2	89.4	133.0	66.0 [1]	65.6
Underlying NPAT (\$m)	211.9	130.3	152.0	84.6	64.1
Statutory EPS (cents)	24.0	11.4	17.0	12.3	12.5
Dividend per Share (cents)	13.0	7.0	9.0	6.5	6.0
Share Price at End of FY (\$)	5.26	2.94	3.52	5.36	3.34
Statutory CEO Remuneration (\$)	4.88	3.41	3.00	3.90	4.54
Total Shareholder Return (%)	83.3	-14.5	-32.6	62.4	10.0

*Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company.*

### Summary of Historical ASA Issues with the Company

RWC's Remuneration Report has been of concern for the two years that ASA has monitored them. Given their commitment to review their Remuneration policies in 2020/21, ASA decided not to vote against the Report at the 2020 AGM. Issues such as high fixed CEO pay, lack of a regular LTI and lack of Directors requiring skin the game were key issues.

The actual Non-Executive Director's skills and experience leant heavily towards mergers and acquisitions rather than the core business of international manufacturing. ASA considered it significant that the company made changes to the Skills matrix and had a commitment to make further appointments.

### Review of Board on Governance, Transparency, Fairness to Retail Shareholders

#### Positives

- The Board has an independent Non-Executive Chair and majority of independent directors.
- The Board has at least 30% female and at least 30% male directors with some diversity of geography and age.
- A new Remuneration policy has Directors and other KMP investing at least one year's worth of base cash fees in company shares, within 5 years.
- The company meaningfully discloses ESG issues or risks facing business and the processes to manage them.
- The company discloses a meaningful skills matrix of the board.

#### Areas for Improvement

- The Director's skills matrix is contained in the Governance report and not in the Annual Report.

### Items for Voting

Item 2.1	Election of Darlene Knight as a Director
ASA Vote	For

Ms Knight was appointed to the Board in April 2021 and in accordance with the Company's Constitution offers herself for election to the Board at this AGM.

Ms Knight has qualifications in Engineering and Industrial Administration. She has had a career in multinational manufacturing businesses including General Motors Corp, EDSCHA GmbH and Adient Plc and has held senior strategic and operations roles. She is based in the USA.

Ms Knight's qualifications, experience and location makes her an attractive addition to the Board, so a vote in favour of her election is appropriate.

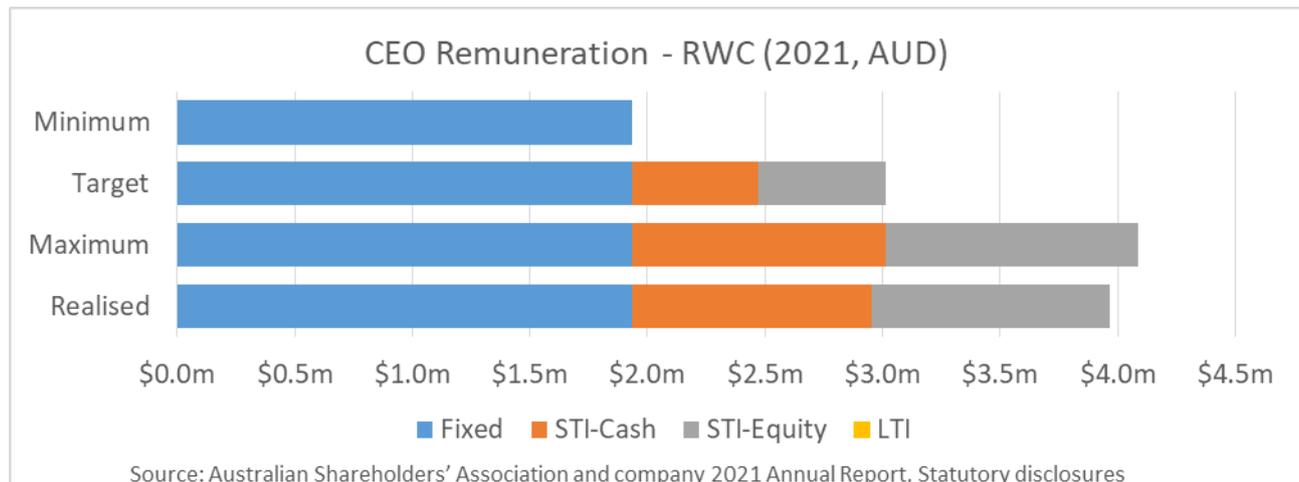
Item 2.2	Re-election of Sharon McCrohan as a Director
ASA Vote	For

Ms McCrohan, who was first appointed a Director in 2018, retires in accordance with the Company's Constitution and offers herself for re-election. She has extensive experience as a media and strategic consultant and is a non-executive Director at a number of not-for-profit or government businesses.

However, her skills and experience do not align well with the current Board Skills identified in the Corporate Governance Statement. Chairman Stuart Crosby agreed that whilst this is the case, with her non-corporate background, she has brought a different perspective and diversity to Board discussions which have proved valuable.

Given her 3 years of experience on the Board and the Board’s valuation of the diversity she provides, her re-election seems appropriate.

Item 3	Adoption of Remuneration Report
ASA Vote	<b>Against</b>



**Notes:**

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.*

*Fixed Remuneration includes superannuation and "Other Short Term benefits", which are not used to calculate STI's.*

*The conditions for an LTI (not shown) of 4,000,000 options (value \$9.28m) that relates to the company's performance post share market float in 2016 has been satisfied at the end of FY 2021 and will be paid after a service gate is met at the end of FY2022.*

**Positives**

- A new remuneration structure has been put in place starting 1 July 2021 including a 20% reduction in the CEO's fixed remuneration over 3 years, an STI and annual LTI structures.
- CEO's statutory take-home remuneration, as well as the target and maximum opportunity of each component is clearly disclosed. No LTI was paid in FY2021, but the financial conditions of the 2016 LTI was satisfied.
- The quantum of Board fees do not reasonably exceed the Godfrey Group report benchmarks.
- Majority of STIs are based on quantifiable and disclosed performance metrics.
- In FY2021, 50% of STIs is paid in equity with a minimum 12 month holding lock.
- Clear disclosure is provided for all KMP financial performance hurdles and the weightings applied for each incentive.
- No retesting of performance hurdles is allowed.
- From FY2022, LTI hurdles are based on at least two hurdles, one of which is TSR.
- The TSR comparator group is based on ASX200 companies excluding mining and energy stocks.
- Share grants are satisfied by equity purchased on-market.
- Hurdles are based on adjusted earnings, due in particular to some issues that arise out of US taxation requirements that relate to goodwill amortisation, as well as a number of other noted significant events, which are out of management's control.
- No retention payment on any awards is subject only to continuing service.

- No termination payments exceed 12 months fixed pay.
- No full vesting in a takeover or “change of control” events (Board retains discretion).
- Overall, the Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.

#### Areas for Improvement

- Only statutory remuneration is reported.
- The total quantum of the CEO remuneration package exceeds the Godfrey Group report benchmarks. Fixed income is being addressed in the revised Remuneration policy.
- In 2021, at Target, only 36% of CEO’s pay is genuinely at risk, with STIs, less than fixed remuneration and no LTI available. This issue is addressed in the FY2022 Remuneration structure.
- There is no financial gateway for STI non-financial hurdles.
- From FY2022, the STI is 100% cash and by 2024 the STI Target will be 100% of fixed remuneration.
- The revised LTI hurdles are measured three years after issue.
- There is no TSR LTI gateway.
- The TSR LTI award vest for performance >40th percentile
- All share grants are allocated at fair value and not face value.

#### Conclusion on Remuneration

The revised FY2022 remuneration structure has a basic structure which ASA supports but is different in many respects to ASA’s guidelines. These include:

- All cash STI from FY2022 (apparently in accordance with US practices),
- No financial gate on STI personal KPI’s.
- LTI grant based on “fair value” rather than “face value”.
- LTI TSR starts at the 40<sup>th</sup> percentile, which is too low.

On this basis, a vote against the Remuneration report will be made.

Item 4	Approval of LTI grant to CEO/Managing Director Heath Sharp
ASA Vote	Against

Whilst the structure of the Grant is consistent with ASA policies, with both hurdles being financial, the Grant is based on “fair value” and the TSR starts to vest at only the 40<sup>th</sup> percentile of the comparator group. On this basis, a vote against the Grant will be made.

Item 5	Renewal of proportional takeover approval provisions
ASA Vote	For

There appears to be no reason that this resolution should not be approved. It protects shareholder’s interests from being left as a minority and unable to further trade their shares at a reasonable price.

## Monitor Shareholding

*The individual (or their associates) involved in the preparation of this voting intention has no shareholding in this company.*

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